



AGENDA

Wisteria Room

11:30 Holiday Lunch

East Room

12:30 Welcome

Key Note, Layne Gneiting

1:30 Introductions

Member Roll Call

Approval of December 2012 Minutes

Nominating Committee Report

Trustee Candidate Speeches

Election Trustee Positions

Financial Report

Chief Executive Officer's Report

President's Report

Approve Interlocal Cooperation Agreement Amendments

Dividend Presentations

Service Awards

Election Results



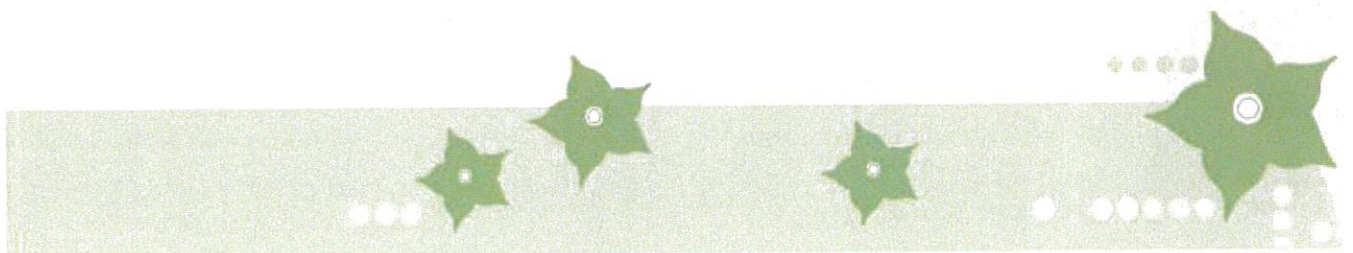
UTAH COUNTIES INDEMNITY POOL

Annual Meeting of the Members

DECEMBER 5, 2013

11:30 A.M. TO 4:30 P.M.

The Gathering Place at Gardner Village
1100 West 7800 South
West Jordan





MEMBERSHIP MEETING MINUTES

December 5, 2013, 12:30 p.m.

The Gathering Place at Gardner Village, 1100 West 7800 South, West Jordan, UT

BOARD MEMBERS PRESENT:

Bruce Adams, *President*, San Juan County Commissioner
Jim Eardley, *Vice President*, Washington County Commissioner
Karla Johnson, *Secretary/Treasurer*, Kane County Clerk/Auditor
Alma Adams, Iron County Commissioner
Dave Blackwell, Emery County Attorney
William Cox, Rich County Commissioner
Brad Dee, Weber County Human Resources Director

Kerry Gibson, Weber County Commissioner
Jerry Hurst, Tooele County Commissioner
Bret Millburn, Davis County Commissioner
Alden Orme, Juab County Sheriff
Seth Oveson, Carbon County Clerk/Auditor
Mike Wilkins, Uintah County Clerk/Auditor

MEMBERS PRESENT:

Rose Barnes, Carbon County Personnel Director
Leslie Bolinder, Emery County Administration
Valeen Brown, Piute County Clerk-Auditor
Louenda Downs, Davis County Commissioner
Jared Eldredge, Juab County Attorney
Scott Ericson, Box Elder County Personnel Director
JoAnn Evans, Duchesne County Deputy Clerk
Derae Fillmore, Wayne County Commissioner
Newell Harward, Wayne County Commissioner
Mary Huntington, Emery County Personnel Director
James Kaiserman, Wasatch County Surveyor
Stacy Lafitte, Morgan County Clerk/Auditor
Charlene Lamph, Davis County Risk Management Specialist
Kay Larrison, Weber-Morgan Health Administrator
Jim Matson, Kane County Commissioner
Mel Miles, Davis County Personnel Director
Cameron Noel, Beaver County Sheriff

Kelly Pehrson, San Juan County Administrator
John Petroff, Davis County Commissioner
Leland Pollock, Garfield County Commissioner
Mark Raymond, Uintah County Commissioner
David Rowley, Wasatch County Personnel Director
JoEll Rowley, Wasatch County Risk Manager
Mike Seely, Juab County Administrator
Brian Stephenson, Beaver County Clerk/Auditor
Stan Summers, Box Elder County Commissioner
Ryan Torgerson, Wayne County Clerk/Auditor
Steve Wall, Sevier County Clerk/Auditor
Logan Wilde, Morgan County Council Member
Ron Winterton, Duchesne County Commissioner
David Yardley, Iron County Clerk
Dennis Yarrington, Davis County Assessor
Jan Zogmaister, Weber County Commissioner

OTHERS PRESENT:

Layne Gneiting, ElysianPro
Blake Green, Workers Compensation Fund
Brett Rich, Nelson & Senior

STAFF PRESENT:

Lisa Brown, Claims Specialist
Johnnie Miller, Chief Executive Officer
Korby Siggard, Claims Manager
Sonya White, Chief Financial Officer

Welcome & Call to Order

Bruce Adams welcomed those in attendance and called the Annual Membership Meeting, of the Utah Counties Indemnity Pool, to order at 12:30 p.m. on December 5, 2013. The Board of Trustees and staff were introduced. Sponsors of the event were acknowledged.

Key Note

Bruce Adams introduced Layne Gneiting, ElysianPro, to address the members.

Member Roll Call

Bruce Adams explained that pursuant to Article 4.4(c) of the Bylaws, *A majority of the members shall constitute a quorum to do business* and Article 4.5(b) *Members shall have the obligation to designate...a representative...for the members' meetings*. Therefore, roll call was taken and the following members designated as representatives: Brian Stephenson; Beaver County; Scott Ericson, Box Elder County; Rose Barnes, Carbon County; Bret Millburn, Davis County; JoAnn Evans; Duchesne County; Mary Huntington, Emery County; Leland Pollock, Garfield County; David Yardley, Iron County; Mike Seely, Juab County; Karla Johnson, Kane County; Stacy Lafitte, Morgan County; Valeen Brown, Piute County; William Cox, Rich County; Bruce Adams, San Juan County; Steve Wall, Sevier County; Mike Wilkins, Uintah County; JoEll Rowley, Wasatch County; Jim Eardley, Washington County; Ryan Torgerson, Wayne County, and Kerry Gibson, Weber County.

Approval of December 2012 Minutes

Bruce Adams explained that the draft minutes, from the December 6, 2012 Membership Meeting, were previously sent to the members for review (see attachment number one). William Cox made a motion to approve the December 6, 2012 Membership Meeting minutes as written. Mike Wilkins seconded the motion, which passed unanimously.

Nominating Committee Report

Jim Eardley, as Chair of the Nominating Committee, serving with Karla Johnson and Bret Millburn, explained that members nominated eligible persons for the available At-Large, Third Class, Fourth Class and Fifth-Sixth Class Counties Trustee positions. After verifying that those nominated are willing to serve, the officials approved for representative vote are: Alma Adams (At-Large); Ryan Tingey and Michael Wilkins (Third Class); Seth Oveson and Ron Winterton (Fourth Class); William Cox and Logan Wilde (Fifth-Sixth Class). Biographies of each nominee were provided (see attachment number two).

Trustee Candidate Speeches

Alma Adams, Stan Summers (on behalf of Ryan Tingey), Mike Wilkins, Seth Oveson, JoAnn Evans (on behalf of Ron Winterton), William Cox and Logan Wilde spoke to the membership in regards to his willingness to serve on the Board of Trustees.

Ballot Election for 2014 Board of Trustees

Jim Eardley instructed all designated member representatives to place their vote for the At-Large nominee. Jim instructed each designated member representative of the Third Class Counties to place his/her vote for one nominee. Jim instructed each designated member representative of the Fourth Class Counties to place his/her vote for one nominee. Jim instructed each designated member representative of the Fifth-Sixth Class Counties to place his/her vote for one nominee. The ballots were gathered by Sonya White, tallied by Lisa Brown and Korby Siggard then verified by Jim Eardley.

Financial Report

Karla Johnson reviewed the Independent Auditors', Wisan Smith Racker & Prescott's, Report of UCIP's 2012 Financial Statements with the membership (see attachment number three). Karla Johnson reviewed the tentative 2014 budget. A public hearing on the budget will be held on December 19 to approve the final 2014 budget.

Chief Executive Officer's Report

Budget Performance

Johnnie Miller provided the membership with an extensive review and explanation of the 2012 budget performance compared to the 2012 financial audit (see attachment number four). Johnnie provided an estimate on the 2013 budget performance in anticipation of the upcoming 2013 financial audit (see attachment number five). In 2012 the Pool met its surplus target. In an effort to return the excess surplus to the members the Board approved a dividend for each member, liability limits were increased from \$2.5 million to \$5 million and cyber liability was added at no additional cost to the member.

Johnnie Miller compared the Pool's financial condition with the historical financial ratios that standard carriers and state insurance commissioners use to determine whether or not a company is financially sound (see attachment number six). The Pool's net premium to surplus, retention to surplus, reserves to surplus and loss ratio are all well within the industry standard.

2013 Highlights

Johnnie Miller reported on the financial strength of the Pool, explaining the implementation of the Net Asset Management Plan by the Board of Trustees and the first award of dividends to the members. Coverages expanded: 1) property sublimits increased; 2) liability limits increased; 3) land use coverage expanded; 4) cyber liability added; 5) non-monetary defense added; and 6) liability coverage to claims made. Loss control efforts expanded with training and hotline usage.

2014 Plan

Johnnie Miller announced plans to restructure loss control services to members, the implementation of the Member Best Practices Manual and the continuation of stable contribution rates. Members have had no change/increase in property and liability rates for the last five years. The 2014 rates are less than 50% of the rates determined in 1992; the only change in contributions members have experienced is the change in their own exposures (see attachment number seven). The Board has initiated a Rate Stabilization Fund so that when a rate increase is necessary, it can be implemented gradually.

President's Report

Bruce Adams reported on the activities of the Board, the relationship between UCIP and the Utah Association of Counties (UAC) and governance issues of the Board. Bruce discussed with Members the importance of being involved, working together and continuing to be committed to their county-owned organization.

Approve Interlocal Cooperation Agreement Amendments

Johnnie Miller reviewed the Board's proposed changes to the Fifth Amended Interlocal Cooperation Agreement that was previously sent to the members for review (see attachment number eight). The changes do not become effective until each member signs the Agreement. The proposed changes were reviewed and discussed by those in attendance. Each appointed official representative cast his/her vote to approve/reject the changes presented. The changes were approved by the membership. The Sixth Amended Interlocal Agreement will be sent to each member governing board to approve through resolution and execution.

Dividend Presentations

The UCIP Board of Trustees approved a dividend of Member equity in accordance with the Net Asset Management Plan. Dividends are provided in two ways: 1) Experience Dividends, for those Members whose losses are significantly lower than the average; and 2) Equity Dividends, for members whose equity in the Pool exceeds 90% of their annual contributions to the Pool. The fact that the county-owned Pool was able to reach its net asset target level, without raising Member rates, and while coverage expansions continued to be put in place, clearly shows that Interlocal Cooperation among Member Counties has been a great success. Each designated representative received the dividend check on behalf of his/her County.

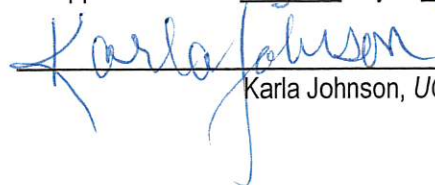
Service Awards

Bruce Adams announced appreciation to Marilyn Gillette, Tooele County Clerk, in honor of her one year of service on the Board of Trustees (Marilyn was unable to attend the meeting). Bruce announced appreciation to Jerry Hurst, Tooele County Commissioner, in honor of his five years of service on the Board of Trustees (Jerry was unable to attend the meeting). Bruce presented a plaque to Cameron Noel, Beaver County Sheriff, in honor of his three years of service on the Board of Trustees. Bruce presented a plaque to Steve Wall, Sevier County Clerk/Auditor, in honor of his 12 years of service on the Board of Trustees.

Election Results

Jim Eardley announced that he has verified the ballots and votes cast in the election for the 2014 Board of Trustees. Alma Adams elected to serve a four-year term beginning January 2014, representing Members At-Large. Mike Wilkins elected to serve a four-year term beginning January 2014, representing the Third Class Counties. Seth Oveson elected to fill the unexpired term (2014) of the Fourth Class Counties' representative. William Cox elected to fill the unexpired term (2015) of the Fifth-Sixth Class Counties' representative.

Approved on this 5 day of Dec 2014 3



Karla Johnson, UCIP Secretary/Treasurer

WHO'S LAYNE GNEITING?

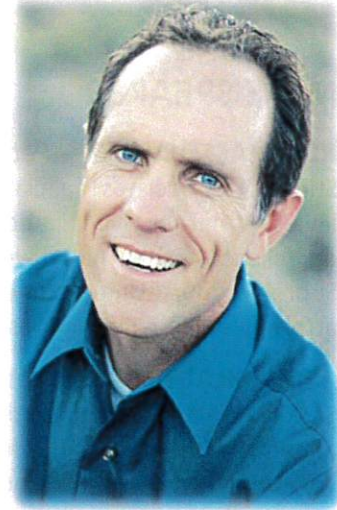
As Patrick Samphire cleverly acknowledged, writing about yourself is just wrong. So I'll imagine us in an interview outside a cafe. You ask questions, I'll answer...

Okay, so you're a speaker. What is your message?

Take the fifth journey—the heroic journey.

What exactly is a heroic journey?

An epic journey that shifts our world, transforming us into something worthy of the Elysian Fields (in Roman mythology, the abode of the heroic after death).



The fifth journey?

The first, **vicarious** adventure is a pseudo journey (like reading a book). Second is a **virtual** journey (like certain time-consuming video games). Third is **escape** (like a vacation). Fourth is **imposed** (like getting caught in a tornado). Fifth—the highest level—is **pursued** (like cycling coast-to-coast). While that last one sounds like escape, the differences are striking. Heroic journeys, or journeys pursued, are marked by a strange, almost otherworldly beckoning, and involve great risk, physical rigor, and spiritual awakening.

What qualifies you to speak?

Having done it.

What exactly did you do?

I studied the heroic journey theory for decades, and then put it through several field tests. Several of them involved cycling: coast-to-coast in the U.S. with my family of 8, across Wales with a son, and a solo trek through Southern Europe.

How long have you been speaking?

My 35 year love affair with the artistry of language began in grade school, where I advanced to the District Civic Oration contest—and won (even beating that cute, talented strawberry blonde). As the story advanced, I racked up scores of awards, professional acclaim, and a PhD in communication. But the kid never left. I traveled far and wide, seeking tutelage of masters who shared their secrets...until at last I could share them with others. Now, when I speak and coach, I seek a little bit of that kid in my clients—that wonder and fascination—that energizes their message. Ultimately, that's what makes their message soar!

How do you help clients?

To paraphrase an old mentor, I speak to those who are now like I once was. For those seeking something more in their life, I coach through the hero's journey process so they can save time, money, frustration, and years of wandering. For executives seeking to excel, I awaken and expand their natural communication gifts so they can energize their teams, advance their vision, and leave a lasting imprint.

Sponsors

KEY NOTE SPEAKER

STIRBA & ASSOCIATES — *Peter Stirba*

Stirba & Associates specializes in trial practice in federal court, state court, and at all administrative levels. Whether civil litigation, or complex criminal defense, Stirba has proven we obtain effective results for our clients. Stirba has developed a renowned appellate practice, arguing cases before the United States Supreme Court, United States Courts of Appeals, and various States' Appellate Courts. Stirba prides itself on attorney accessibility and responsiveness to client needs.

SUITTER AXLAND, PLLC — *Jesse Trentadue*

Suitter Axland was organized in 2005. Suitter Axland practices in all state and federal courts and before various administrative bodies. The firm is actively involved in county, state and national bar groups and contributes volunteer service and financial support to many non-profit arts, religious, charitable, educational and civic organizations.

HOLIDAY LUNCH

CHRISTENSEN & JENSEN, PC — *Bart Kunz*

Christensen & Jensen is a recognized leader in litigating and resolving legal disputes. Located in downtown Salt Lake City, the firm represents clients—both plaintiffs and defendants—in a variety of civil practice areas and in many settings, including negotiation, mediation, arbitration, trial and appeal. Attorneys at the firm have received prestigious honors from numerous organizations. Our firm is over 60 years old assuring we have a depth and breadth of experience. Attorneys focus on sophisticated legal methods and, along with staff, are committed to excellent professional service and handle matters with dignity and respect.

DUNN & DUNN, PC — *Susan Black Dunn, Tim Dunn*

Dunn & Dunn first opened its doors on January 1, 1988 and has since established a reputation as one of the premiere governmental, public utility, insurance and corporate defense firms in the state of Utah. Dunn & Dunn has provided superb legal representation to UCIP and its members for the last ten years. Dunn & Dunn specializes in governmental and public utility liability claims, including personal injury, wrongful death, mental health and Section 1983 claims. They have a unique expertise in all aspects of employment law including anti-discrimination under state and federal law, wrongful termination and workers compensation. In addition to defending employment claims, Susan Black Dunn provides interesting and informative training seminars to management and rank and file employees of governmental entities, businesses and corporations in the areas of sexual harassment, anti-discrimination, Title VII, FMLA, ADAA, ADEA, etc. in order to help prevent such claims in the first place. Tim Dunn has tried over 180 jury trials with a 93% success rate and also provides arbitration and mediation services.

SESSION BREAKS

HCA ASSET MANAGEMENT — *Mark Hessel*

HCA Asset Management is a Property Appraisal and Asset Management Consulting firm offering valuable management and appraisal services to companies and institutions throughout the United States. What sets HCA Asset Management apart from other consulting firms is their attention to detail and consistency of personnel. HCAs professional staff has decades of experience performing complex valuations and is highly trained to ensure its clients' satisfaction.

Sponsors

SESSION BREAKS continued

HUTTON LAW ASSOCIATES, PC — *Linette Hutton*

Hutton Law Associates is dedicated to civil litigation defense, and primarily the representation of governmental entities. Linette Hutton is the president, and has worked with the Utah Counties Indemnity Pool for 18 years, back when it was still called the Utah Association of Counties or UAC. Linette is also a registered nurse, giving her a great deal of insight into the medical care and medical records of plaintiffs claiming injury. Erin Robinson is a paralegal with Hutton Law Associates and has worked with Linette and UCIP for 10 years. Both Erin and Linette are privileged to have worked with the members and partners of UAC and UCIP and look forward to a strong future together.

MYLAR LAW, PC — *Frank Mylar*

Mylar Law is owned by Frank Mylar who has litigated numerous civil rights cases in state and federal court at both the trial and various appellate courts, including the United States Supreme Court. Attorneys at Mylar Law specialized in defending law enforcement officers and agencies from civil rights lawsuits, class action lawsuits, and appeals. Mylar Law also specializes in constitutional law, employment law and business law.

NIELSEN & SENIOR — *Brett Rich*

Nielsen & Senior's predecessor, Senior & Senior, was founded in 1882. In 1981, Senior & Senior merged with Nielsen, Henriod, Gottfriedsen & Peck to form Nielsen & Senior. Today, Nielsen & Senior represents clients in a variety of areas of the law including: state and local government, insurance, land use, business relationships, contracts and general litigation. The firm is committed to providing prompt, efficient, and effective representation.

ZIONS WEALTH ADVISORS — *Greg Aiken*

Zions Wealth Advisors integrate a comprehensive array of services and offerings for the specific needs of nonprofits. Their approach combines forward-looking economic analysis and risk sensitivity with an investment strategy targeted to meet each client's specific goals and aspirations.

GIFTS to MEMBERS

BY THE NUMBERS ACTUARIAL CONSULTING — *Lisa Dennison*

By the Numbers Actuarial Consulting specializes in providing independent casualty actuarial consulting services. They have built a sizable practice that includes over 140 individual self-insureds, group self-insureds, captives, insurance companies, and reinsurers. They differentiate themselves from competitors by their commitment, communication, dedication, professionalism, and value.

WHITNEY ADVERTISING — *Pam Woll*

Whitney Advertising was founded in 1991 in Los Angeles and relocated to Park City in 1994. The prolific and passionate team of multi-disciplinary, creative and marketing professionals produces strategic, savvy communications from media advertising and interactive design to publicity and packaging.

WORKERS COMPENSATION FUND — *Blake Green*

Workers Compensation Fund has insured Utah employers since 1917. WCF is a non-profit mutual insurance company managed by a board of directors. WCF is financed entirely by premium payments from customers and investment income. WCF provides underwriting, safety, claims and legal services to more than 20,000 Utah employers.



MEMBERSHIP MEETING

MINUTES

December 6, 2012, 12:30 p.m.
Thanksgiving Point, Lehi, Utah

BOARD MEMBERS PRESENT:

Kay Blackwell, *President*, Piute County Commissioner
Jim Eardley, *Vice President*, Washington County Commissioner
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk/Auditor
Bruce Adams, San Juan County Commissioner
Craig Dearden, Weber County Commissioner
Brad Dee, Weber County Human Resources Director

Jerry Hurst, Tooele County Commissioner
Karla Johnson, Kane County Clerk/Auditor
Bret Millburn, Davis County Commissioner
Cameron Noel, Beaver County Sheriff
Kent Sundberg, Utah County Deputy Attorney
Mike Wilkins, Uintah County Clerk/Auditor

MEMBERS PRESENT:

Alma Adams, Iron County Commissioner
Rose Barnes, Carbon County Personnel Director
Paul Barton, Beaver County Clerk/Auditor
Myron Bateman, Tooele County Health Officer
Dave Blackwell, Emery County Attorney
Valeen Brown, Piute County Clerk-Auditor
Bill Cox, Rich County Commissioner
Spencer Cox, Sanpete County Commissioner
Jared Eldredge, Juab County Attorney
JoAnn Evans, Duchesne County Deputy Clerk
Derae Fillmore, Wayne County Commissioner
Kerry Gibson, Weber County Commissioner
Marilyn Gillette, Tooele County Clerk
Chris Hall, Washington County Executive Assistant
Crystal Holt, San Juan County Human Resource Director
Mary Huntington, Emery County Personnel Director
Mike Jensen, Tooele County Auditor
John Jones, Carbon County Commissioner
James Kaiserman, Wasatch County Surveyor
Charlene Lamph, Davis County Risk Management Specialist
Kay Larrison, Weber-Morgan Health Administrator
Stewart Leith, Daggett County Commissioner

Peggy Madsen, Box Elder County Personnel
Richard Maughan, Davis County Recorder
Mel Miles, Davis County Personnel Director
Camille Moore, Garfield County Clerk/Auditor
Keri Pallesen, Daggett County Auditor/Recorder
Robert Pero, Carbon County Clerk/Auditor
Mark Raymond, Uintah County Commissioner
Ilene Roth, Sanpete County Auditor
David Rowley, Wasatch County Personnel Director
JoEll Rowley, Wasatch County Risk Manager
Mike Seely, Juab County Administrator
Debbie Smart, Tooele County Chief Deputy Clerk
Daron Smith, Millard County Commissioner
Jerry Steglich, Daggett County Commissioner
Shaun Thornley, Box Elder County Treasurer
Ryan Torgerson, Wayne County Clerk/Auditor
Brenda Tuttle, Emery County Clerk/Auditor
Bart Whatcott, Millard County Commissioner
Ron Winterton, Duchesne County Commissioner
David Yardley, Iron County Clerk
Dennis Yarrington, Davis County Assessor
Jan Zogmaister, Weber County Commissioner

OTHERS PRESENT:

Shelley Blackwell
Blake Green, Workers Compensation Fund
Brett Rich, Nelson & Senior

STAFF PRESENT:

Lisa Brown, Claims Specialist
Johnnie Miller, Chief Executive Officer
Korby Siggard, Claims Manager
Sonya White, Chief Financial Officer

Welcome & Call to Order

Kay Blackwell welcomed those in attendance and called the Annual Membership Meeting, of the Utah Counties Indemnity Pool, to order at 12:30 p.m. on December 6, 2012. The Board of Trustees and staff were introduced.

Member Roll Call

Kay Blackwell explained that pursuant to Article 4.4(c) of the Bylaws, *A majority of the members shall constitute a quorum to do business* and Article 4.5(b) *Members shall have the obligation to designate...a representative...for the members' meetings*. Therefore, roll call was taken and the following members designated as representatives: Paul Barton; Beaver County; Peggy Madsen, Box Elder County; Rose Barnes, Carbon County; Keri Pallesen, Daggett County; Bret Millburn, Davis County; Ron Winterton; Duchesne County; Mary Huntington, Emery County; Camille Moore, Garfield County; David Yardley, Iron County; Mike Seely, Juab County; Karla Johnson, Kane County; Daron Smith, Millard County; Kay Blackwell, Piute County; Bill Cox, Rich County; Bruce Adams, San Juan County; Ilene Roth, Sanpete County; Steve Wall, Sevier County; Marilyn Gillette, Tooele County; Mike Wilkins, Uintah County; Kent Sundberg, Utah County; JoEll Rowley, Wasatch County; Jim Eardley, Washington County; Ryan Torgerson, Wayne County, and Craig Dearden, Weber County.

Approval of December 2011 Minutes

Kay Blackwell explained that the draft minutes, from the December 1, 2011 Membership Meeting, were previously sent to the members for review (see attachment number one). Bill Cox made a motion to approve the December 1, 2011 Membership Meeting minutes as written. Craig Dearden seconded the motion, which passed unanimously.

Nominating Committee Report

Jim Eardley, as Chair of the Nominating Committee, serving with Kay Blackwell, Karla Johnson and Steve Wall, explained that members nominated eligible persons for the available At-Large and Third Class Counties Trustee positions. After verifying that those nominated are willing to serve, the officials approved for representative vote are: Bruce Adams and Camille Moore (At-Large) and Alma Adams and Jerry Hurst (Third Class). Biographies of each nominee were provided (see attachment number two).

Trustee Candidate Speeches

Alma Adams, Bruce Adams, Jerry Hurst and Camille Moore spoke to the membership in regards to their willingness to serve on the Board.

Ballot Election for 2013 Board of Trustees

Jim Eardley instructed all designated member representatives to place their vote for one At-Large nominee. Jim instructed each designated member representative of the Third Class Counties to place their vote for one nominee. The ballots were gathered by Sonya White, tallied by Lisa Brown and Korby Siggard then verified by Jim Eardley.

Financial Report

Steve Wall reviewed the Independent Auditors', Wisan Smith Racker & Prescott's, Report of UCIP's 2011 Financial Statements with the membership (see attachment number three). Bill Cox made a motion to approve the 2011 audited financial statements as presented. David Yardley seconded the motion, which passed unanimously. Steve Wall reviewed the 2011 Actuarial Report and the tentative 2013 budget with the members (see attachment numbers four and five). A public hearing on the budget will be held on December 20 to approve the final 2013 budget.

Chief Executive Officer's Report

Membership Update

Johnnie Miller reported that the 2012 goals and objectives of the Board, for the UCIP Membership, have been achieved and surpassed. The goals included but were not limited to: upgrading the website, member education, maintaining stability, identifying member exposure issues and excelling at member services.

The enhancements to the website are underway, which will make reporting and viewing exposures easier. Extensive training sessions were provided at limited or no cost that included up-to-date issues affecting and specifically pertaining to county services and exposures. Contribution rates remained stable with no change for the upcoming year. 2013 rates are less than 50% of 1992 rates calculated. A Rate Stabilization Fund has been initiated by the Board so when increases are necessary they will be made gradually. Claim severity in the Workers Compensation program has increased due to the disproportionate increase in medical costs—comprising 75% of the total claims payments. The Board identified member exposure issues and put into place expanded land use claim coverage, increased liability limits, defense coverage prior to suit and added a group home hotline at no additional costs to the members. Member services included building appraisals provided at no cost to members, contributions provided timely for budget development, access to online schedules, tenant user liability programs provided for parties using county facilities and hotlines provided for two hours of free legal advice.

Coverage Changes

Johnnie Miller reported that the Board of Trustees approved coverage for land use claims (the development and maintenance of ordinances and issuing or failing to issue permits or variances). Property sublimits were increased to the full shared pool limits. Liability limits increased from \$2.25 million to \$5 million. UCIP provides its members with the highest property sublimits available, per occurrence liability with no aggregates, and defense costs in addition to limits. No other pool or provider has this extensive of coverage.

Contribution Calculation Policy

Johnnie Miller explained that based on past loss history and changes to exposures, UCIP's actuary determines how much contribution is needed from all members. A rate per exposure is determined to develop the total contribution. The rate is applied to all members equally based on their exposures. No "experience" or "volume" credits are used (experience and size are factors considered for dividends).

Net Asset Management Policy

A copy of the Net Asset Management Policy approved by the Board of Trustees was provided to the Members (see attachment number six). The purpose of the policy is to manage net asset levels to assure adequate assets to protect UCIP without holding excessive net assets. The goal is to maintain a level between 90-100% of annual revenue. The procedure to manage net assets is to utilize a claim reserve deterioration fund, rate stabilization fund and dividend plan.

- The Reserve Deterioration Fund will allow the Board to use a higher 'confidence level' provided by the actuary to guard against the years that the 'expected' level is not enough.
- The Rate Stabilization Fund will be used by the Board to utilize unexpected costs that would require a rate increase and to increase coverages without direct charge to the members.
- The Dividend Policy provides for an experience dividend (better than average loss experience) and an equity dividend (based on the proportion of contributions paid). Eligibility for dividends requires ongoing membership and individual member equity of at least 90% of annual contribution.

President's Report

Kay Blackwell reported on the activities of the Board, the relationship between UCIP and the Utah Association of Counties (UAC) and governance issues of the Board. Kay discussed with Members the importance of being involved and committed to their county owned organization.

Service Awards

Kay Blackwell announced appreciation to Gary Anderson, Utah County Commissioner, in honor of his two years of service on the Board of Trustees (Gary was unable to attend the meeting). Kay presented a plaque to Craig Dearden, Weber County Commissioner, in honor of his two years of service on the Board of Trustees. Kay presented a plaque to Kent Sundberg, Utah County Deputy Attorney, in honor of his 20 years of service on the Board of Trustees. Jim Eardley presented a plaque and sincere appreciation to Kay Blackwell, Piute County Commissioner, in honor of his 12 years of service on the Board of Trustees, of which four years were in service as the President. Kay Blackwell and his wife Shelley will be serving an LDS mission in New Zealand.

Election Results

Jim Eardley announced that he has verified the ballots and votes cast in the election for the 2013 Board of Trustees. Bruce Adams has been re-elected as a Trustee to serve for another four-year term beginning January 2013, representing Members At-Large. Jerry Hurst has been re-elected as a Trustee to serve for another four-year term beginning January 2013, representing the Third-Class Counties.

Approved on this _____ day of _____ 2013

Karla Johnson, *UCIP Secretary-Treasurer*

Election

2014 Board of Trustees

NOMINEE — AT-LARGE



ALMA ADAMS, *Iron County Commissioner*

Alma is a life-long, fifth generation, resident of Iron County who graduated from Parowan High School, attended Utah State University and Southern Utah State College and at age 22, assumed management of the family farm and livestock operation with his twin brother. Alma's business experience includes: Co-Manager of Roy Adams Farms, Inc. (38 years), Managing Member of Twin A LLC (18 years), and President of Parowan West Fields Irrigation, Inc. (19 years). His Community Service includes: Iron County Commissioner (seven years), President of Iron County Farm Bureau (12 years), Southern Utah University Presidential Search Committee, Iron County Comprehensive Land Use Planning Committee (2005-2006), Five County Association of Governments Natural Resources Committee, Southern Utah University Community Advisory Council (2004-2008), Chairman and Member of the Cedar Breaks District Boy Scouts of America Activities Committee (2001-2007) serving in leadership positions for 31 years (Eagle Scout, Silver Beaver). Alma has been married to Marie Brownell for 32 years. They have four children and two grandsons.

NOMINEES — THIRD CLASS



RYAN TINGEY, *Box Elder County Commissioner*

Ryan is a life time resident of Box Elder County. He graduated from Box Elder High School in Brigham City and attended Utah State University. Ryan left Utah State University to start Tingey Dental Lab, a full service lab serving dentist throughout Northern Utah. Ryan began his public service as a member of the Willard City Planning Commission in 1997, chairing the Commission in 1999 – 2000. Following his service on the Commission, Ryan was elected as a city councilman in Willard City in 2000 – 2004. In 2004, Ryan was elected as mayor of Willard City. He was re-elected mayor 2008. Under Ryan's leadership as mayor of Willard City, Willard successfully partnered with Perry City to secure \$23 million in funding from the Utah Division of Water Quality to plan, develop, and build a waste water treatment facility. The facility was completed in 2009 ahead of schedule and under budget. In 2009, Ryan was elected as one of three Box Elder County Commissioners. Since his election, Ryan's responsibilities as commissioner have included oversight of public safety, personnel, natural resources, and the insurance committee. Ryan was the County representative on the Bear River Association of Governments from 2010 – 2012. Ryan was elected Chair of the Box Elder County Commission by his fellow commissioners in 2012. Ryan serves as a member on the Utah Defense Alliance (UDA), Great Salt Lake Advisory Council, and Willard Spur Committee. Ryan currently lives Willard City with his four children, including a son who is currently serving a LDS mission in Argentina.



MICHAEL WILKINS, *Uintah County Clerk/Auditor*

Michael is a lifelong resident of Uintah County and went to work for Uintah County Auditor, Amy Pope, in June of 1987. In January 1990 the County Clerk and County Auditor positions were combined and Pat McNeill was elected as Uintah County Clerk/Auditor. Michael worked as Chief Deputy Clerk/Auditor for 12 years. Upon Pat's retirement in December 2002, Michael filed for Uintah County Clerk/Auditor and was successful in his election. Michael is in his third term as Uintah County Clerk/Auditor. Michael currently serves on the Centrally Assessed Litigation Committee for the Utah Association of Counties. He has been elected by his peers from the Clerk/Auditors Association to serve on the Board of Directors for the Utah Association of Counties 2007-2011 (released of that commitment November 2011). He was elected by his peers to serve in the leadership of the Clerk/Auditors Association and served as Vice President 2006-2007 then President 2007-2008. He was elected by his peers as the County Auditor of the year in 2007. He was elected by his peers as the County Auditor of the year again in 2008 and Clerk of the year in 2008. Michael married Brenda Cook in September 1983 and has four children, two daughters and two sons. Both daughters are married. One lives in Rock Springs, WY. The other daughter lives in Vernal with four children. One of Michael's sons served a two year mission in New York, New York and his youngest son is currently serving in the Johannesburg, South Africa mission and will be returning in March 2014. Michael is an active member of his Church. Michael was elected in December 2011 to fill an unexpired term on the UCIP Board.

Election

2014 Board of Trustees

NOMINEES — FOURTH CLASS



SETH OVESON, *Carbon County Clerk/Auditor*

Seth Oveson was born in Price, Carbon County Utah. He was raised in Emery County until entering high school when his family moved to Cedar City. After graduating High School he served a mission for the LDS Church in Honduras. After his mission he returned to Cedar City and graduated from Southern Utah University with a Master's Degree in Accounting. He and his wife Melanie met at SUU and currently have three children. After graduation, Seth took a job in Denver Colorado at the Public Accounting firm, Mayer, Hoffman, McCann P.C. After a few years in Denver he and his wife decided to move back to Utah to be closer to family and raise their children in a better environment. Seth worked for a local CPA firm specializing in Governmental Accounting for three years before accepting the appointment to fill the prior Clerk-Auditor's term in Carbon County. He is currently on the UCIP Board and Audit Committee and is excited about using his education and experience to help UCIP provide the best service possible to its members.



RON WINTERTON, *Duchesne County Commissioner*

Ron is completing his fifth year as a Duchesne County Commissioner. In January he will celebrate 34 years of marriage to his high school sweetheart. Ron and his wife have been blessed to be parents of five children and have seven grandsons. In Ron's former life he owned and operated a trucking business for 30 years. Ron enjoys working with people and loves to help others with challenges. He values others point of view and feel their input is important. He would be honored to serve on the UCIP Board.

NOMINEES — FIFTH-SIXTH CLASS



WILLIAM COX, *Rich County Commissioner*

Bill Cox has lived in Rich County, Utah the majority of his life. He graduated from South Rich High School and Utah Technical College as an Auto Body Technician. He and his wife, Cay, have raised five children on their ranch in Rich County. Bill is a mail contractor for the US Postal Service and the director of the County senior citizen program and is active in both his church and community. Bill is serving as a Rich County Commissioner where he is the Commission Chair. He has served on various committees within the Utah Association of Counties and is active in National Association of Counties. He also served in the community as Woodruff Fire District Chief, Woodruff Planning & Zoning Commission and the Woodruff City Council. Bill has been actively involved in the risk management practices of the County and supports the principles, beliefs and goals of the Pool. He would like the opportunity to continue to serve Pool Members as a Trustee.



LOGAN WILDE, *Morgan County Council Member*

Logan has lived in Morgan County for 36 years, while working on our family-run ranch. His family has run sheep and cattle for over a hundred years in Croydon. After graduating from Morgan High School, Logan served a full time mission to Charlotte, North Carolina. He continued his education at Weber State University, where he met his wife Kim. For the past 14 years, they have been building a family of their own. Now having five growing children and plenty of hard labor for them when they are in trouble. Logan has had the opportunity to serve the public over the last twelve years in different capacities: served three years as Morgan County's Young Farmer in the Farm Bureau of Utah; serving for six years as the treasurer and supervisor for the Morgan Conservation District; serving for eight years as treasurer for the Croydon Pipeline Company; and serving on the County's Water Board. He also served, for two years, on the Board of the Utah Association of Conservation Districts and the Utah Conservation Commission that provided the opportunity to serve as the Principle Legislative Contact for UACD, which gave him several opportunities to meet with Congressional and State legislators and to work closely with their staff. Since 2013 Logan has been serving the citizens of Morgan County on the County Council. He has also served in several capacities within his religion.

UTAH COUNTIES INDEMNITY POOL

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011



WISAN, SMITH, RACKER & PRESCOTT, LLP

Certified Public Accountants & Business Advisors

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Utah Counties Indemnity Pool
South Jordan, Utah**

We have audited the accompanying financial statements of Utah Counties Indemnity Pool (the Pool or UCIP) which are comprised of the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows, as of December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Counties Indemnity Pool as of December 31, 2012 and 2011, and the changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages five through ten and the Contributions and Loss Development Information on page 26 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods used in preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

Wiley, Smith, Fisher & Prescott, LLP

Salt Lake City, Utah
March 20, 2013

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
Year ended December 31, 2012**

In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Indemnity Pool (the Pool or UCIP) presents this Management's Discussion and Analysis for the readers of UCIP's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal years ended December 31, 2012 and 2011. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditor's report.

FINANCIAL STATEMENTS PROVIDED

Included in the independent auditor's report are the basic financial statements required under the GASB standards including:

- Statements of Net Position – Accounts for all assets and liabilities of UCIP as of December 31, 2012 and 2011, showing the balance of net position (assets minus liabilities) as of those dates.
- Statements of Revenues, Expenses, and Changes in Net Position – Accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net position (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses) and Administrative Expenses (primarily consisting of staff salaries and benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statements of Cash Flows – Accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Position as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.

BASIS OF ACCOUNTING METHODS

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements that differs significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
Year ended December 31, 2012**

CONDENSED FINANCIAL INFORMATION

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

Net Position

In 2012, total assets increased by \$559,214 from the prior year. Current and other assets increased \$1,035,448. Capital assets decreased \$47,400. Investments decreased \$428,834. These changes were the result of transferring the land infrastructure from a capital asset to an investment. Also, several securities matured and are held in a cash equivalent until the yield value of those securities can be matched or purchased at a higher value.

In 2011, total assets increased by \$1,477,302 from year end 2010. Current and other assets decreased by \$797,377, and capital assets decreased \$511,049 while investments increased \$2,785,728. These changes were the result of moving UCIP's land asset from a capital asset to an investment, and transferring \$2,000,000 from PTIF to Zions Wealth Advisors investments.

In 2012, total liabilities increased \$344,858 over year ended 2011. This increase was primarily the result of the reserves for losses and loss adjustment expenses. In 2011, total liabilities increased by \$489,210 over year ended 2010. This was primarily an increase of current liabilities.

In 2012 and 2011, net position increased by \$214,356 and \$988,092, respectively, during the fiscal years, as a result of a significant gain on UCIP's equity investment in its reinsurer, County Reinsurance Limited (CRL). Also in 2011, the increase was a result of underwriting gain of just over eight percent of premium made up of a slight decrease in required reserves and a seven percent reduction in operating expenses.

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Year ended December 31, 2012

The condensed statement of net assets for the years ended 2012, 2011 and 2010 are as follows:

	2012	2011	Net Change	2010
Assets:				
Current and other assets	\$ 11,208,496	\$ 10,173,048	\$ 1,035,448	\$ 10,970,425
Capital assets	42,448	89,848	(47,400)	600,897
Investments	2,944,157	3,372,991	(428,834)	587,263
Total assets	<u>\$ 14,195,101</u>	<u>\$ 13,635,887</u>	<u>\$ 559,214</u>	<u>\$ 12,158,585</u>
Liabilities:				
Current and other liabilities	\$ 499,039	\$ 1,244,524	\$ (745,485)	\$ 777,257
Reserve for losses and loss adjustment	7,748,687	6,658,344	1,090,343	6,636,401
Total liabilities	<u>8,247,726</u>	<u>7,902,868</u>	<u>344,858</u>	<u>7,413,658</u>
Net position:				
Invested in capital assets	42,448	89,848	(47,400)	600,897
Unrestricted	5,904,927	5,643,171	261,756	4,144,030
Total net position	<u>5,947,375</u>	<u>5,733,019</u>	<u>214,356</u>	<u>4,744,927</u>
Total liabilities and net position	<u>\$ 14,195,101</u>	<u>\$ 13,635,887</u>	<u>\$ 559,214</u>	<u>\$ 12,158,585</u>

Operating Revenue and Expense

Revenue from contributions and management fees increased \$359,495 for a total of \$6,282,067 in 2012. This increase is attributed to the increase in member property values. Operating expenses increased \$1,050,119 from the prior year due to increases in loss reserves and reinsurance premiums.

In 2011, revenue from contributions increased \$212,286 to \$5,922,572 resulting primarily from increased values of member property. A \$73,001 drop in administration expenses and a \$20,176 decrease in loss and loss expense reserves at the end of the year helped UCIP recognize an operating gain of \$987,448 for the year.

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
Year ended December 31, 2012**

The condensed statement of operating revenue and expense for the years ended 2012, 2011 and 2010 are as follows:

	2012	2011	Net Change	2010
Operating revenue:				
Contributions and other considerations	\$ 6,282,067	\$ 5,922,572	\$ 359,495	\$ 5,710,286
Investment income	412,506	496,448	(83,942)	281,207
Other income	20,943	23,319	(2,376)	18,159
Total operating revenues	<u>6,715,516</u>	<u>6,442,339</u>	<u>273,177</u>	<u>6,009,652</u>
Operating expenses:				
Loss and loss adjustment expenses	3,879,089	3,053,104	825,985	3,073,281
Reinsurance premiums	1,574,107	1,377,842	196,265	1,347,633
General and administrative	1,051,814	1,023,945	27,869	1,096,945
Total operating expenses	<u>6,505,010</u>	<u>5,454,891</u>	<u>1,050,119</u>	<u>5,517,859</u>
Net operating income	210,506	987,448	(776,942)	491,793
Unrealized gain on investments	4,041	644	3,397	3,336
Loss on disposal of fixed assets	(191)	-	(191)	-
Change in net position	<u>\$ 214,356</u>	<u>\$ 988,092</u>	<u>\$ (773,736)</u>	<u>\$ 495,129</u>

Investments

UCIP invests the majority of funds in the Public Treasurer's Investment Fund (PTIF). This strategy allows UCIP to enjoy significant liquidity and protection of capital in its invested assets, while receiving relatively competitive investment income on those investments. In 2011, UCIP moved \$2,000,000 of invested funds to Zions Wealth Advisors in anticipation of increasing investment rates. While investments with Zions Wealth Advisors outperformed the PTIF by a small amount in 2012, it is expected these investments will outpace the PTIF more significantly as the market strengthens. Equity investments consist of equity ownership in County Reinsurance Limited (CRL), a property and liability reinsurance pool of county based pools across the U.S., which UCIP is a member.

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Year ended December 31, 2012

The condensed statement of cash and cash equivalent investments for the years ended 2012, 2011 and 2010 are as follows:

	2012	2011	Net Change	2010
Cash and cash equivalents:				
Cash on deposit	\$ 3,323,091	\$ 302,048	\$ 3,021,043	\$ 365,699
Public Treasurer's Investment Fund	6,338,084	7,819,311	(1,481,227)	8,710,635
Zions Wealth Advisors	932,845	140,905	791,940	-
Total cash and cash equivalents	10,594,020	8,262,264	2,331,756	9,076,334
Investments:				
Investments - U.S. government securities	1,105,752	1,863,104	(757,352)	-
Equity investment in County Reinsurance Limited	1,311,627	1,015,441	296,186	587,263
Land held for sale	526,778	494,446	32,332	-
Total investments	2,944,157	3,372,991	(428,834)	587,263
Total cash and cash equivalents and investments	\$13,538,177	\$11,635,255	\$ 1,902,922	\$ 9,663,597

Financial Position

Given the significantly reduced capacity to earn investment income on its reserves, UCIP's ability to realize strong operating results is key to maintaining its strong financial position. Net position at December 31, 2012 of \$5,947,375 have reached management's targeted surplus. At December 31, 2011, net position of \$5,733,019 was nearing management's targeted surplus. Based on the 2013 member contribution of \$5,085,654 for 2012 year and estimated 2012 premium of \$6,400,000, the surplus to premium ratio was well within market standards. Net asset levels will be managed between 90 percent and 100 percent of annual revenue. When net position exceeds 100 percent of annual revenue, the UCIP Board should issue dividends as experience dividends and/or equity dividends based on the UCIP Dividend Policy.

The condensed statement of changes in net position for the years ended 2012, 2011 and 2010 are as follows:

	2012	2011	Net Change	2010
Revenues and expenses:				
Revenues	\$ 6,719,366	\$ 6,442,983	\$ 276,383	\$ 6,012,988
Expenses	6,505,010	5,454,891	1,050,119	5,517,859
Net income	214,356	988,092	(773,736)	495,129
Net position, beginning of year	5,733,019	4,744,927	988,092	4,249,798
Net position, end of year	\$ 5,947,375	\$ 5,733,019	\$ 214,356	\$ 4,744,927

**UTAH COUNTIES INDEMNITY POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
Year ended December 31, 2012**

BUDGET

Management closely monitors budgeted revenues and expenses. Actual 2012 revenues were \$315,114 more than budgeted due to an increase in investment income. Actual 2012 expenses were \$100,758 more than budgeted due to an increase in losses and loss adjustment expenses.

Actual 2011 revenue from premiums was \$5,922,572, \$267,428 less than budgeted. Premiums were below budget due in part to deductible credits given members for increased property deductibles. Investment income of \$496,448 was \$441,448 more than was budgeted.

Management closely monitored budgeted administrative expenses of \$1,188,040 and was able to operate with actual expenses of \$1,023,945. The savings on actual to budgeted expenses was primarily in the areas of staff expenses, marketing and office operations.

MARKET TRENDS IN 2012

Management anticipates continued competitive pressure due to protracted soft market conditions. Changes in catastrophic loss models by modelers Risk Management Solutions and AIR Worldwide, late in 2011, have significantly increased the modeled earthquake loss exposure for the entire state of Utah, which will likely increase property reinsurance premiums above that budgeted for 2013. UCIP is positioned well for this potential property reinsurance increase, utilizing membership in County Reinsurance Limited (CRL) for its catastrophic property coverage. CRL should be able to leverage its membership volume to suppress rate increases requested by excess carriers. With a strong surplus position, UCIP will also have the option to offset increased excess rates if necessary.

Questions concerning any of the information in this report, or any other matters related to UCIP's budget and finances should be addressed to the Chief Financial Officer, Utah Counties Indemnity Pool, PO Box 95730, South Jordan, UT 84095.

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,594,020	\$ 8,262,264
Accounts receivable	1,505	1,513,378
Reinsurance recoverable	332,617	151,300
Prepaid expenses	269,018	234,770
TOTAL CURRENT ASSETS	<u>11,197,160</u>	<u>10,161,712</u>
INVESTMENTS	2,417,379	2,878,545
PROPERTY AND EQUIPMENT	42,448	89,848
OTHER ASSETS		
Land held for investment	526,778	494,446
Security deposits	<u>11,336</u>	<u>11,336</u>
TOTAL ASSETS	<u><u>\$ 14,195,101</u></u>	<u><u>\$ 13,635,887</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Reserves for losses and loss adjustment expenses	\$ 7,748,687	\$ 6,658,344
Accounts payable	5,455	6,942
Accrued expenses	52,702	39,691
Contributions paid in advance	440,882	1,197,891
TOTAL CURRENT LIABILITIES	<u>8,247,726</u>	<u>7,902,868</u>
TOTAL LIABILITIES	<u>8,247,726</u>	<u>7,902,868</u>
NET POSITION		
Net investment in capital assets	42,448	89,848
Unrestricted	<u>5,904,927</u>	<u>5,643,171</u>
TOTAL NET POSITION	<u>5,947,375</u>	<u>5,733,019</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 14,195,101</u></u>	<u><u>\$ 13,635,887</u></u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING INCOME		
Contributions	\$ 6,282,067	\$ 5,922,572
Investment income	412,506	496,448
Other income	20,943	23,319
TOTAL OPERATING INCOME	<u>6,715,516</u>	<u>6,442,339</u>
UNDERWRITING EXPENSES		
Losses and loss adjustment expenses	3,879,089	3,053,104
Reinsurance coverage	1,574,107	1,377,842
TOTAL UNDERWRITING EXPENSES	<u>5,453,196</u>	<u>4,430,946</u>
ADMINISTRATION EXPENSES		
Board of trustees	39,731	44,695
Depreciation	15,441	20,545
Loss control	49,974	45,245
Marketing	15,931	13,731
Office operations	185,933	179,229
Professional services	144,812	39,503
Staff expenses	599,992	680,997
TOTAL ADMINISTRATION EXPENSES	<u>1,051,814</u>	<u>1,023,945</u>
TOTAL OPERATING EXPENSES	<u>6,505,010</u>	<u>5,454,891</u>
NET OPERATING INCOME	<u>210,506</u>	<u>987,448</u>
OTHER INCOME (EXPENSES)		
Loss on sale of capital assets	(191)	-
Unrealized gain on marketable securities	4,041	644
TOTAL OTHER INCOME	<u>3,850</u>	<u>644</u>
CHANGE IN NET POSITION	214,356	988,092
NET POSITION AT BEGINNING OF YEAR	<u>5,733,019</u>	<u>4,744,927</u>
NET POSITION AT END OF YEAR	<u>\$ 5,947,375</u>	<u>\$ 5,733,019</u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
STATEMENTS OF CASH FLOW S
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	\$ 7,036,931	\$ 6,405,689
Other fees collected	20,943	23,319
Reinsurance paid	(1,608,355)	(1,392,980)
Losses and loss expenses paid	(2,970,063)	(3,036,969)
Cash paid to employees	(586,981)	(671,522)
Other administrative expenses paid	(437,868)	(343,474)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,454,607</u>	<u>984,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	757,352	(1,863,104)
Investment income	120,361	68,913
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	<u>877,713</u>	<u>(1,794,191)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchases of capital assets	(564)	(3,942)
NET CASH USED BY CAPITAL AND FINANCING ACTIVITIES	<u>(564)</u>	<u>(3,942)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,331,756	(814,070)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,262,264</u>	<u>9,076,334</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,594,020</u>	<u>\$ 8,262,264</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 214,356	\$ 988,092
Adjustments to reconcile change in net position to net cash flows from operating activities		
Depreciation	15,441	20,545
Interest on investments	(116,320)	(68,913)
Decrease in equity in Zions	-	644
Increase in equity in CRL	(296,186)	(428,179)
Unrealized gain on investments	(4,041)	(644)
Loss on disposal of equipment	191	-
Accounts receivable	1,511,873	4,254
Prepaid expenses	(34,248)	(15,138)
Reinsurance recoverable	(181,317)	(5,808)
Reserves for loss and loss adjustment expenses	1,090,343	21,943
Accounts payable	(1,487)	(21,070)
Accrued expenses	13,011	9,474
Contributions paid in advance	(757,009)	478,863
Total adjustments	<u>1,240,251</u>	<u>(4,029)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,454,607</u>	<u>\$ 984,063</u>

The accompanying notes are an integral part of the financial statements.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit interlocal entity formed under Section 11-13-101 et. seq. Utah Code Annotated, 1953 as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the interlocal agreement that creates UCIP. The Pool is referred to as a "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB Statement 34), GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Pool has also adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. With the implementation of these statements, the Pool has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net position as net investment in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. The following is a summary of the more significant policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. securities and investments in County Reinsurance Limited (CRL).

Investments in U.S. securities as of December 31, 2012 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct board meetings and training. In September 2008, the Board determined to hold the land as an investment for future sale instead.

**UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as liabilities in the statement of net assets.

Contributions

Contributions are collected annually on January 1.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the years ended December 31, 2012 and 2011 amounted to \$15,441 and \$20,545, respectively.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

Subsequent Events

Management of the Pool has evaluated subsequent events through March 20, 2013, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2012 and 2011. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the State Money Management Act.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$3,323,091 and \$302,048 as of December 31, 2012 and 2011, respectively. The corresponding bank balance of the deposits was \$3,329,650 and \$422,583 as of December 31, 2012 and 2011, respectively. All of the Pool's cash on deposit bank accounts are noninterest-bearing. The FDIC has no limits on noninterest-bearing accounts in financial institutions insured by the FDIC for the period of January 1, 2010 to December 31, 2012. Beginning January 1, 2013, all noninterest-bearing and other depositors' accounts will be aggregated and insured up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but the PTIF is subject to oversight by the State Money Management Council and all investments in PTIF are in compliance with the State Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Wealth Advisors, DBA Contango Capital Advisors, is an investment advisory firm certified by the State Money Management Council and all investments with Zions Wealth Advisors are in compliance with the State Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors investments are not insured or otherwise guaranteed.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2012 and 2011, all of the Pool's bank balances were fully insured by the FDIC.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of December 31, 2012 and 2011, the Pool's cash and cash equivalents and investments included the following:

	<u>2012</u>	<u>2011</u>
Cash on deposit	\$ 3,323,091	\$ 302,048
Public Treasurers' Investment Fund	6,338,084	7,819,311
Zions Wealth Advisors	932,845	140,905
Total cash and cash equivalents	<u>10,594,020</u>	<u>8,262,264</u>
Investments - U.S. government securities	1,105,752	1,863,104
Equity investment in County Reinsurance Limited	1,311,627	1,015,441
Land held for sale	526,778	494,446
Total investments	<u>2,944,157</u>	<u>3,372,991</u>
Total cash and cash equivalents and investments	<u><u>\$ 13,538,177</u></u>	<u><u>\$ 11,635,255</u></u>

Investments

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually. All other investments are through the Public Treasurers Investment Fund (PTIF). The differences between book value and fair value, as of December 31, 2012 and 2011 are as follows:

<u>2012</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Securities	\$ 1,101,711	\$ 4,041	\$ -	\$ 1,105,752	\$ 1,105,752
Equity	1,015,441	296,186	-	1,311,627	1,311,627
Land	526,778	-	-	526,778	526,778
Total investments	<u>\$ 2,643,930</u>	<u>\$ 300,227</u>	<u>\$ -</u>	<u>\$ 2,944,157</u>	<u>\$ 2,944,157</u>
<u>2011</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Securities	\$ 1,862,460	\$ 644	\$ -	\$ 1,863,104	\$ 1,863,104
Equity	587,262	428,179	-	1,015,441	1,015,441
Land	494,446	-	-	494,446	494,446
Total investments	<u>\$ 2,944,168</u>	<u>\$ 428,823</u>	<u>\$ -</u>	<u>\$ 3,372,991</u>	<u>\$ 3,372,991</u>

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's policy for managing interest rate risk is to comply with the State Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The Pool manages its exposure to declines in fair value by investing in the Public Treasurers' Investment Fund (PTIF) and other securities and by adhering to the Act. Following are the Pool's investments at December 31, 2012:

Investment Type	Carrying Amount and Fair Value	Investment Maturities (in years)	
		Less than 1	1-2
Debt securities:			
Corporate bonds	\$ 1,105,752	\$ 551,465	\$ 554,287
Other investments:			
CRL equity	1,311,627		
Land	526,778		
Total other investments	<u>1,838,405</u>		
Total investments	<u>\$ 2,944,157</u>		

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the State Money Management Act.

Investments are categorized into these three categories of credit risk:

Category One - Insured or registered, or securities held by the Pool or its agent in the Pool's name.

Category Two - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.

Category Three - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk (continued)

As of December 31, 2012 and 2011, investments in U.S. government securities in the amount of \$1,105,752 and \$1,863,104, respectively, are considered to be Category three securities. As of December 31, 2012 and 2011, Public Treasurers Investment Fund (PTIF) investments, equity investments in County Reinsurance Limited (CRL) and land held for sale in the total amount of \$8,176,489 and \$9,329,198, respectively, are uncategorized investments.

NOTE 3 - INVESTMENT INCOME

Investment income is comprised of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Interest:		
Bonds	\$ 30,547	\$ 3,365
Equity	296,186	428,179
Cash	<u>85,773</u>	<u>64,904</u>
Total interest income	<u>\$ 412,506</u>	<u>\$ 496,448</u>
Cash received:		
Bonds	\$ 4,433	\$ 1,476
Cash	<u>85,773</u>	<u>64,904</u>
Total cash received	<u>90,206</u>	<u>66,380</u>
Noncash adjustments:		
Equity	296,186	428,179
Change in accrued interest	20,757	71
Amortization	<u>5,357</u>	<u>1,818</u>
Total noncash adjustments	<u>322,300</u>	<u>430,068</u>
Total investment income	<u>\$ 412,506</u>	<u>\$ 496,448</u>

NOTE 4 - INTEREST RATES

The interest rates for assets held with the Utah Public Treasurers' Investment Fund were .6813 percent and .7092 percent for the years ended December 31, 2012 and 2011, respectively.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 - CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

<u>2012</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Office furniture and equipment	\$ 293,452	\$ 564	\$ (126,826)	\$ 167,190
Total capital assets, being depreciated	<u>293,452</u>	<u>564</u>	<u>(126,826)</u>	<u>167,190</u>
Less accumulated depreciation for:				
Office furniture and equipment	<u>(203,604)</u>	<u>(15,441)</u>	<u>94,303</u>	<u>(124,742)</u>
Total accumulated depreciation	<u>(203,604)</u>	<u>(15,441)</u>	<u>94,303</u>	<u>(124,742)</u>
Total capital assets being depreciated, net	<u>89,848</u>	<u>(14,877)</u>	<u>(32,523)</u>	<u>42,448</u>
Total capital assets, net	<u>\$ 89,848</u>	<u>\$ (14,877)</u>	<u>\$ (32,523)</u>	<u>\$ 42,448</u>
<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 494,446	\$ -	\$ (494,446)	\$ -
Total capital assets, not being depreciated	<u>494,446</u>	<u>-</u>	<u>(494,446)</u>	<u>-</u>
Capital assets, being depreciated:				
Office furniture and equipment	<u>289,510</u>	<u>3,942</u>	<u>-</u>	<u>293,452</u>
Total capital assets, being depreciated	<u>289,510</u>	<u>3,942</u>	<u>-</u>	<u>293,452</u>
Less accumulated depreciation for:				
Office furniture and equipment	<u>(183,059)</u>	<u>(20,545)</u>	<u>-</u>	<u>(203,604)</u>
Total accumulated depreciation	<u>(183,059)</u>	<u>(20,545)</u>	<u>-</u>	<u>(203,604)</u>
Total capital assets being depreciated, net	<u>106,451</u>	<u>(16,603)</u>	<u>-</u>	<u>89,848</u>
Total capital assets, net	<u>\$ 600,897</u>	<u>\$ (16,603)</u>	<u>\$ (494,446)</u>	<u>\$ 89,848</u>

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - REINSURANCE

Effective in 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,984,257 and \$1,060,154 as of December 31, 2012 and 2011, respectively. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2012) in the amount of \$332,617 and \$151,300 from its reinsurers for accrued losses as of December 31, 2012 and 2011, respectively.

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amounts of \$1,805,836 and \$1,433,891 as of December 31, 2012 and 2011, respectively, exceed three percent of the Pool's surplus and are considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of December 31, 2012, the Pool does not have any disputed balances or uncollectible funds.

NOTE 7 - RETIREMENT PLANS

Cost-Sharing Defined Benefits Pension Plan

Plan Description. The Pool contributes to the Local Governmental Public Employees' Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The URS provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with Title 49 of Utah Code Annotated 1953 as amended.

The Noncontributory System is established and governed by Chapter 13, Title 49 of Utah Code Annotated 1953 as amended. Utah Code Ann. §49-11-202, as amended, provides for the administration of the URS and any System under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The URS issue a publicly available financial report that includes financial statements and required supplementary information for the Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 E. 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 - RETIREMENT PLANS (CONTINUED)

Funding Policy. The Pool is required to contribute 16.04 percent of covered salary to the Noncontributory System. The contribution rates are determined by URS using actuarial analysis. The contribution requirements of the Noncontributory System are authorized pursuant to Utah Code Ann. §49-13-301, as amended, and specified by the Utah State Retirement Board. The Pool's contribution to the Noncontributory System for the years ended December 31, 2012, 2011 and 2010 was \$63,346, \$60,328 and \$59,098, respectively. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

Defined Contribution Pension Plans

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed five percent of the employee's eligible payroll. The total retirement expense for the Pool for the years ended December 31, 2012 and 2011 was \$74,895 and \$72,229, respectively.

NOTE 8 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased by approximately \$1,090,343 and \$21,943 in 2012 and 2011, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

The unpaid claims, losses and loss adjustment expenses of the Pool are as follows:

	<u>2012</u>	<u>2011</u>
Beginning Balance	\$ 6,658,344	\$ 6,636,401
Incurred Loss:		
Current Year	3,618,948	3,129,335
Prior Year	<u>172,979</u>	<u>(303,019)</u>
Change in Total Incurred	<u>3,791,927</u>	<u>2,826,316</u>
Paid:		
Current Year	843,801	994,943
Prior Year	<u>1,857,783</u>	<u>1,809,430</u>
Total Paid	<u>2,701,584</u>	<u>2,804,373</u>
Balance at December 31	<u><u>\$ 7,748,687</u></u>	<u><u>\$ 6,658,344</u></u>

UTAH COUNTIES INDEMNITY POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 9 - OPERATING LEASES

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid \$133,009 and \$129,456 in rent for the years ended December 31, 2012 and 2011, respectively.

Future minimum rental commitments for the building operating lease are as follows:

2013	\$ 133,009
2014	136,999
2015	141,109
2016	24,262
Thereafter	<u>-</u>
Total minimum lease payments	<u>\$ 435,379</u>

NOTE 10 - CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

UTAH COUNTIES INDEMNITY POOL

Contributions and Loss Development Information (Unaudited)

The following table compares the Pool's earned revenues, net of reinsurance and investment income, to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by the Pool. The table is defined as follows: (1) shows each year's net earned contributions, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows how each coverage year's incurred losses increased or decreased as of the end of the successive years: this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (6) compares the latest reestimated incurred loss amounts to the amounts originally established. Pool information is only available in the format shown below for the years presented.

(in thousands)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(1) Earned contributions, other operating revenues and investment revenues, net of reinsurance	2,803	3,912	5,073	9,542	12,433	16,116	6,952	4,662	5,064	5,141
(2) Unallocated expense	242	242	-	-	-	-	-	-	-	-
(3) Estimated incurred claims, both paid and accrued, end of accident year	2,420	2,656	2,526	2,497	2,544	3,142	2,789	3,113	3,472	3,619
(4) Paid (cumulative) as of:										
End of accident year	661	1,104	1,383	1,059	1,332	1,302	1,126	584	995	347
One year later	1,190	1,786	2,361	2,289	2,296	2,076	1,246	932	1,542	-
Two years later	1,561	2,171	2,832	2,672	3,103	1,640	1,781	1,601	-	-
Three years later	2,213	2,463	3,276	3,324	2,202	2,249	2,142	-	-	-
Four years later	2,309	2,642	3,427	2,392	2,273	2,666	-	-	-	-
Five years later	2,369	2,911	2,368	2,298	2,366	-	-	-	-	-
Six years later	2,369	2,460	2,526	2,396	-	-	-	-	-	-
Seven years later	2,421	2,658	2,526	-	-	-	-	-	-	-
Eight years later	2,421	2,656	-	-	-	-	-	-	-	-
Nine years later	2,420	-	-	-	-	-	-	-	-	-
(5) Reestimated incurred losses and expenses:										
End of accident year	2,420	2,656	2,526	2,497	2,544	3,142	2,789	3,113	3,472	3,619
One year later	2,421	2,710	2,526	2,484	2,524	2,771	2,902	3,188	3,129	-
Two years later	2,466	2,657	2,737	2,696	2,751	2,704	2,748	2,876	-	-
Three years later	2,693	2,566	2,756	2,553	2,978	2,631	2,887	-	-	-
Four years later	2,776	2,583	2,792	2,181	3,216	2,772	-	-	-	-
Five years later	2,755	2,262	2,878	1,983	2,810	-	-	-	-	-
Six years later	2,624	2,469	2,875	2,345	-	-	-	-	-	-
Seven years later	2,618	2,667	2,824	-	-	-	-	-	-	-
Eight years later	2,178	2,645	-	-	-	-	-	-	-	-
Nine years later	2,304	-	-	-	-	-	-	-	-	-
(6) Increase (decrease) in estimated incurred losses and expenses from end of accident year	(116)	(11)	298	(152)	266	(370)	98	(237)	(343)	-

SUPPLEMENTARY AUDITORS' REPORTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Trustees
Utah Counties Indemnity Pool**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Counties Indemnity Pool (the Pool or UCIP), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated March 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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LAS VEGAS - 1920 East Warm Springs Road, Suite 112 • Las Vegas, Nevada • 89119 • (702) 368.5099 (office) • (702) 368.5050 (fax)

Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Smith, Roper & Prescott, LLP

Salt Lake City, Utah
March 20, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE IN ACCORDANCE WITH
THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

**To the Board of Trustees
Utah Counties Indemnity Pool**

We have audited the Utah Counties Indemnity Pool's (the Pool or UCIP) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2012. The general compliance requirements applicable to the Pool are identified as follows:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Issues
- Utah Retirement System

The Pool did not receive any major State grants during the year ended December 31, 2012.

Compliance with the requirements referred to above is the responsibility of the Pool's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Pool's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pool's compliance with those requirements.

In our opinion, the Pool complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended December 31, 2012.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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This report is intended solely for the information and use of management of the Pool, the Board of Trustees, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wison, Smith, Roehrs, Prescott, UT

Salt Lake City, Utah
March 20, 2013

~~FIFTH~~ SIXTH AMENDED INTERLOCAL COOPERATION AGREEMENT

THIS IS THE ~~FIFTH~~ SIXTH AMENDED INTERLOCAL COOPERATION AGREEMENT, made and entered into by and between members of the Utah Counties Indemnity Pool, a political subdivision of the State of Utah, each of which hereby agrees to abide by the terms and conditions of this ~~Fifth~~ Sixth Amended Agreement and all actions taken pursuant hereto.

WITNESSETH:

WHEREAS, pursuant to the provisions of the Interlocal Cooperation Act, Utah Code Ann. §11-13-101 et. seq., 1953 as amended, the Governmental Immunity Act, § 63-30-1 et. seq., 1953 as amended, and the Utah Insurance Code, Utah Code Ann. § 31A-1-103, 1953 as amended, public agencies, including political subdivisions of the State of Utah as therein defined, are authorized to enter into written agreements with one another for joint or cooperative action to establish a liability reserve fund (referred to in the Code as a "public agency insurance mutual"); and

WHEREAS, the governing bodies of counties located in the State of Utah, by entering into an Interlocal Cooperation Agreement, formed the Utah Association of Counties Insurance Mutual, which began operations on or about January 1, 1992, as a public agency insurance mutual; and

WHEREAS, the governing bodies of the Members of the Utah Association of Counties Insurance Mutual, on or about August, 21, 2003, amended the original Interlocal Cooperation Agreement, making various corrections and updating references, by approving and adopting the first Amended Interlocal Agreement; and

WHEREAS, the governing bodies of the Members of the Utah Association of Counties Insurance Mutual amended the first Amended Interlocal Cooperation Agreement, on or about June 2, 2006, changing the name of the Utah Association of Counties Insurance Mutual to the Utah Counties Insurance Pool, by approving and adopting the second Amended Interlocal Agreement; and

WHEREAS, the governing bodies of the Members of the Utah Counties Insurance Pool amended the second Amended Interlocal Cooperation Agreement, on or about January 22, 2008, making various corrections and updating references, by approving and adopting the Third Amended Interlocal Agreement; and

WHEREAS, the governing bodies of the Members of the Utah Counties Insurance Pool amended the Third Amended Interlocal Cooperation Agreement, on or about December 3, 2010, making various corrections and updating references, by approving and adopting the Fourth Amended Interlocal Cooperation Agreement; and

WHEREAS, the Members of the Utah Counties Insurance Pool approved the amendments to the Fourth Amended Interlocal Cooperation Agreement, on or about December 1, 2011, changing the name of the Utah Counties Insurance Pool to the Utah Counties Indemnity Pool, by approving and adopting the Fifth Amended Interlocal Cooperation Agreement; and

WHEREAS, the governing bodies of the Members of the Utah Counties Insurance Pool now desire to amend the ~~Fourth Fifth~~ Amended Interlocal Cooperation Agreement to ~~implement the name change~~ make various changes, corrections and updating references by approving and adopting this ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement;

NOW, THEREFORE, the parties do mutually agree as follows:

Section 1. EFFECTIVE DATE; DURATION.

1. This This ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement shall become effective and shall enter into force, within the meaning of and in accordance with the Interlocal Cooperation Act, upon the:
 - a) Submission of this Fifth Sixth Amended Interlocal Cooperation Agreement to, and the approval and execution hereof by resolution of the governing bodies of each of the parties;
 - b) Approved as to form and compliance with applicable law by the attorney for the governmental entity entering into this Agreement; and
 - c) Filed with the person who keeps the records of the governmental agency entering into this Agreement, and with the keeper of records of the Pool.
2. The term of this Fifth-Sixth Amended Interlocal Cooperation Agreement shall be fifty (50) years, pursuant to Utah Code Ann. §11-13-204, 1953 as amended, unless renewed as permitted by law, or until earlier dissolved as provided herein.

Section 2. CREATION OF A SEPARATE LEGAL ENTITY.

The parties to this agreement through their respective governing bodies and pursuant to the provisions of Utah Code Ann. §11-13-203, 1953 as amended, hereby create a legal entity to be known as the Utah Counties Indemnity Pool to provide the services described herein.

Section 3. PURPOSES.

This ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement has been established and entered into between the members of the Utah Counties Indemnity Pool (herein referred to as the Pool) for the following purposes:

1. To comply with the Utah Interlocal Cooperation Act and other applicable laws of the State of Utah; and
2. To ratify the previous formation of a group-funded Pool to fund losses through a joint liability reserve fund for liability losses, joint self-insurance for loss to member property, joint purchase of insurance, joint purchase of reinsurance, or excess insurance, or other lawful manner, certain liabilities of member Utah counties, as permitted by the Utah Insurance Code and determined by the Board, with the powers set forth in the Amended Bylaws of the Pool (herein referred to as the Amended Bylaws); and
3. To provide, through the Pool, certain claims and risk management services related to the liabilities so funded, and assist members in reducing and preventing such liabilities; and
4. To provide other services and functions as permitted by law.

Section 4. MEMBERS.

1. Membership in the Pool is limited to Utah counties and such other governmental entities allowed under its Amended Bylaws.
2. Members shall have such powers and authorities as provided herein and as set forth in the Amended Bylaws. Such powers shall include, but not be limited to:
 - a) Voluntarily dissolve the Pool, but only at a meeting at which a majority of all Members, whether present at the meeting or not, vote in favor of the dissolution.
 - b) Appoint or select members of the Pool Board of Trustees, in accordance with this Agreement, the Amended Bylaws and the Interlocal Cooperation Act.

Section 5. BOARD OF TRUSTEES.

The Pool shall be governed by a Board of Trustees. The Members delegate Trustees shall have such powers and authorities to the Board of Trustees as provided herein and as set forth in the Amended Bylaws.

1. The Board shall be comprised of thirteen persons in the following manner:

- a) One Trustee, appointed by the governing body of Davis County, representing Davis County;

~~One Trustee, appointed by the governing body of Utah County, representing Utah County;~~

- b) One Trustee, appointed by the governing body of Washington County, representing Washington County;

- c) One Trustee, appointed by the governing body of Weber County, representing Weber County;

- d) ~~Two~~ One Trustees, elected by Member counties of the third class, representing counties of the third class;

- e) One Trustee, elected by Member counties of the fourth class, representing counties of the fourth class;

- f) One Trustee, elected by Member counties of the fifth and sixth class, representing counties of the fifth and sixth class;

- g) ~~Two~~ Three Trustees, elected by all Member counties, representing all counties at large;

- h) One Trustee, appointed by the Board, shall be an Auditor of a Member county, who serves as the Chair of the Audit Committee;

- i) One Trustee, appointed by the Board, shall be a ~~sheriff~~ Sheriff of a Member county, who serves as the Chair of the Law Enforcement Committee;

- j) One Trustee, appointed by the Board, shall be a County Attorney or Deputy County Attorney of a Member county, who serves as the Chair of the Litigation Management Committee and;

- k) One Trustee, appointed by the Board, shall be a Personnel Director of a Member county, who serves as the Chair of the Personnel Committee.

2. The terms of the members of the Board of Trustees shall be as follows:

- a) Trustees serving pursuant to subsections (a)-(c) shall serve at the pleasure of the governing bodies of the Member.

~~i.b)~~ Trustees serving pursuant to subsections ~~(ed)-(hg)~~ shall be designated as "Elected Trustees" and serve four-year overlapping terms.

~~ii. Trustees serving pursuant to subsections (a)-(d) shall serve at the pleasure of the governing bodies of the Member.~~

~~iii.c)~~ Trustees serving pursuant to subsections ~~(ih)~~-(k) shall serve ~~for~~ four-year terms and may be reappointed to subsequent terms by the Board.

~~iv.d)~~ ~~A~~ Trustees serving pursuant to subsections ~~(ih)~~ and (i) shall serve a four-year term ending on December 31 in even numbered years between presidential elections.

~~v.e)~~ Trustees serving pursuant to subsections (j) and (k) shall serve four-year terms ending on December 31 of presidential election years.

3. Each Trustee must be a resident of the State of Utah.

4. No person convicted of a felony may serve as a Trustee.

5. Each Trustee shall be an elected or appointed officer or an employee of a Member.

a) Trustees serving pursuant to subsections (a)-(c) shall be a member of the Member's governing body.

b) Trustees serving pursuant to subsections (d)-(i) shall be elected or appointed officers of the Member.

c) Trustees serving pursuant to subsections (j)-(k) shall be an elected or appointed officer or an employee of a Member

6. Election of Trustees shall take place at the annual Membership Meeting. Elected Trustees shall assume office at the first Board meeting of the calendar year following their election.

7. The Board of Trustees shall elect a Nominating Committee from its members. The Nominating Committee shall solicit nominations for available elected Trustee positions in accordance with the Amended Bylaws.

8. A vacancy shall occur on the Board when a Trustee:
- a) Submits a written resignation to the Board; or
 - b) Dies; or
 - c) Is no longer an elected or appointed officer or employee of a Member; or
 - d) Fails to attend three consecutive regular meetings of the Board without the Board having excused such absences except that such additional absence or absences shall be excused for temporary mental or physical disability or illness; or
 - e) Is removed by the Members by a two-thirds vote of the Members present at a Membership Meeting; or
 - f) Is convicted of a felony; or
 - g) The Member of which the Trustee is an official or employee terminates their membership in the Pool.
9. Any vacancy in the position of an Elected Trustee may be filled by majority vote of the remaining Trustees until the next annual meeting of the Members, at which time the Members shall elect a person to fill the vacancy for the unexpired term.
10. Any vacancy in the position of an appointed Trustee under Article 5.1(a)-(dc) shall be filled by appointment from the respective county and the Trustee shall serve for the remainder of the unexpired term. If the county is no longer a Member, the Trustee position shall revert to an at large position, adding to the number of such positions under Section 5.1(hg), and be filled by a majority vote of the remaining Trustees until the next annual meeting of the Members, at which time the Members shall elect a person to fill the vacancy.
11. Any vacancy in the position of an appointed Trustee under Article 5.1(ih)-(k) shall be filled by majority vote of the remaining Trustees and shall fill the unexpired term of the Trustee.
12. To the extent permitted by law, Trustees may be reimbursed for expenses incurred in the performance of their duties, as authorized by the Board.

~~13. Each Trustee must be a resident of the State of Utah.~~

13. The powers of the Board shall include, but not be limited to, the powers to:

- a) Delegate, by resolution adopted at a meeting of the Trustees and specifically defined in the written minutes of the Trustees' meetings, authority for specific functions to the Chief Executive Officer, but only to the extent permitted by the laws of the State of Utah and the Amended Bylaws.
- b) Establish Member contributions, including premiums and service fees, pursuant to guidelines adopted by the Board from time to time.
- c) Serve as the policyholder of any group policies or plans.
- d) Determine the methods of claim administration and payment; provide for claim experience for the Members collectively or separately; and establish claim procedures and conditions to be met prior to the payment or defense of a claim.
- e) Jointly self-insure or jointly obtain insurance, reinsurance or excess insurance (specific or aggregate), or any combination thereof, or otherwise provide for the funding of coverages and adopt and adjust coverages provided by or through the Pool, as the Board deems appropriate.
- f) Establish employment policies for the employees of the Pool including but not limited to policies, salaries and benefits.
- g) Provide for the administration of the moneys of the Pool, for the manner of payments to the Pool, and for payment of all expenses of the Pool; establish standards for the accountability of all receipts and disbursements of the Pool; and establish procedures for safekeeping, handling, and investing such monies received or paid.
- h) Acquire, lease, hold, and dispose of real and personal property.
- i) Exercise the full power and authority of any Member of the Pool when requested to do so by the Member's governing body.
- j) Provide for necessary activities, and enter into contracts as necessary or appropriate to accomplish the purposes of the Pool.
- k) Do any act permitted by law and not in conflict with the ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement or the Amended Bylaws of the Pool.

- l) Provide for an independent audit of the financial statements and operations of the Pool, including claim handling procedures, handling of receipts and payments, investments, adequacy of reserves, compliance with financial reporting requirements and overall operations of the Pool, at such times as the Board may determine.
- m) Establish loss reduction, prevention and risk management policies, procedures, and requirements for Members of the Pool and provide risk management services and educational and other programs related to risk management.
- n) Create various Committees of the membership to assist in the oversight and operation of the Pool. The members of such Committees, including the chair, shall be appointed by the Board.
- o) Approve a list of attorneys or law firms authorized to represent Members in claims covered by or through the Pool.
- p) Obtain the services of agents, attorneys, brokers, consultants, employees, and service providers as necessary or appropriate for the operation of the Pool.
- q) Terminate a Member from the Pool as provided for in the Amended Bylaws.
- r) Create levels of membership within the Pool to provide for appropriate representation and control. Levels of membership may include, but are not limited to, voting and non-voting members and equity and non-equity members.
- s) Amend the Bylaws by a two-thirds vote of all Board members.
- t) Exercise all powers of the Pool except those powers reserved to the Members, and all powers necessary and proper for the operation of the Pool and implementation of the Pool, subject to the limits of the Agreement, the Amended Bylaws, and the Utah Code. The Board is responsible for all operations of the Pool.

Section 6. OFFICERS.

The Board of Trustees shall elect officers and establish the duties of officers of the Pool in accordance with Utah law and the Amended Bylaws.

Section 7. COMMITTEES.

The Board of Trustees may establish from time to time such committees of the Board as shall be deemed appropriate by said Board.

Section 8. MANNER OF FINANCING.

1. The Utah Counties Indemnity Pool shall be funded by contributions ~~in the form of premiums~~ or service fees, from the Members:
 - a) The amount of such contributions or fees including any interest penalty thereon shall be established by the Board of Trustees.
 - b) ~~Premiums~~ Contributions or fees established by the Board may be audited and additional premium contributions or fees charged based on the rate used to establish the original ~~premium contribution or fee~~.
 - c) The Board may not charge assessments to the Members.
2. All monies of the Pool, and earnings thereon, shall be held in the name of and for the use and benefit of the Pool.
3. The Board of Trustees shall prepare an annual budget consistent with Utah Code Ann. 17A-1-408 et. seq., as amended.

Section 9. PROPERTY USED IN COOPERATIVE UNDERTAKING.

1. Any real or personal property acquired, held, and used pursuant to this cooperative undertaking shall be administered and controlled by the Board of Trustees established in Section 5 hereof. Any disposition of said real or personal property shall also be administered and controlled by said Board of Trustees, pursuant to the terms of this Agreement.
2. The provisions of this Agreement and the assets of the Pool are for the benefit of the Members of the Pool only, and no other persons or entities shall have any rights or interest in this Agreement or in any of the other documents referred to herein or in any such assets, as a third party beneficiary or otherwise. The assets of the Pool shall not be subject to attachment, garnishment, or any equitable proceeding.
3. In the event of a voluntary dissolution of the Pool, as provided in Section 4 hereof, the property of the Pool not used or needed for the purposes of the Pool, including its contractual obligations, shall be distributed, as determined by the Board, only to Utah counties which are Members of the Pool at the time of dissolution. Such dissolution shall be handled as provided in Section 12.

Section 10. ADDITION OF OTHER MEMBERS.

1. Other governmental entities may become parties to this ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement, subject to the approval of the Board of Trustees by executing an Addendum to this Agreement.
- ~~1.2.~~ In order for a governmental entity to be added to this Agreement by Addendum, the Addendum must be:
 - a) Approved by the governing body of the governmental entity to be added; ~~and~~
 - b) Reviewed as to form and compliance with applicable law by the attorney for the governmental entity to be added; ~~and~~
 - c) Filed with the person who keeps the records of the public agency being added to this Agreement, and with the keeper of records of the Pool.
- ~~2. Prior to becoming effective, this Fifth Amended Interlocal Cooperation Agreement and the Addendum shall be filed with the person who keeps the records of the public agency being added to this Agreement.~~

Section 11. WITHDRAWAL AND TERMINATION.

1. Any Member may withdraw their participation in a ~~line of coverage joint purchase program~~ of the Pool, ~~which does not include the Property/Casualty joint self-insurance program~~, but only at the end of a Pool fiscal year after giving the Board timely written notice of such withdrawal, pursuant to a resolution of the Member's governing body. Timely written notice of such withdrawal must be provided to the Board no later than ~~120~~ 180 days prior to the Member's intended date of withdrawal. The Board shall consider a timely written notice of withdrawal to be a final decision unless the notice is rescinded by the Member no later than ~~90~~ 150 days prior to the Member's intended date of withdrawal. The Board may, by a three-fourths vote and at its sole discretion, agree to permit an earlier date of withdrawal. A Member withdrawn from a ~~line of coverage joint purchase program~~ shall lose any voting rights inured as a result of participation in that ~~line of coverage program~~ and any claim of title or interest to any asset of the Pool resulting from that ~~line of business program~~ upon the effective date of that withdrawal with the exception of the right to payment of claims ~~which occurred prior to withdrawal, or in the case of "claims made" coverage, the payment of claims made within the claims made reporting period adopted by the Board and in effect at the time of withdrawal.~~ covered by a policy of insurance purchased on behalf of

the member by UCIP either jointly or individually, but only to the extent of the terms and conditions of such policy.

2. Any member may terminate its membership in the Pool by terminating its participation in the Property/Casualty self-insurance program, but only at the end of a Pool fiscal year, after giving the Board timely written notice of such termination, pursuant to a resolution of the Member's governing body. Timely written notice of such termination must be provided to the Board no later than ~~120~~ 180 days prior to the Member's intended date of termination. The Board shall consider a timely written notice of termination to be a final decision unless the notice is rescinded by the Member at least ~~90~~ 150 days prior to the Member's intended date of termination. A terminating Member shall lose all voting rights and any claim of title or interest to any asset of the Pool upon the effective date of termination with the exception of the right to ~~payment of claims which occurred prior to termination, or in the case of "claims made" coverage, the payment of claims made within the claims made reporting period adopted by the Board and in effect at the time of termination.~~ payment of claims for which coverage was provided under the Bylaws Coverage Addendum in effect prior to termination, but only to the extent of the amount of the case reserve set by UCIP for each claim as of the date of notice of termination, or the initial case reserve established by UCIP for claims reported after the date of notice of termination which are covered under the terms of the Bylaws Coverage Addendum in effect prior to termination. Termination of membership in the Pool will also be considered a withdrawal of participation in any joint purchase programs the terminating member has participated in, and no member may continue participation in any joint purchase program of the Pool after termination of membership in the Pool.

Section 12. DISSOLUTION AND DISPOSITION OF PROPERTY.

1. The Pool may be dissolved by a majority of the entire Membership voting in favor of dissolution at a Membership Meeting. In the event of voluntary dissolution of the Pool, the assets of the Pool not used or needed for the purposes of the Pool, including its contractual obligations shall be distributed, as determined by the Board, only to Utah counties, which are Members of the Pool at the time of dissolution. The Members of the Pool at the time the vote is held to dissolve the Pool shall continue to be considered Members of the Pool until the final disposition of property and dissolution of the Pool is complete.
2. Upon partial or complete dissolution of the Pool by the Members, the Trustees shall determine all other matters relating to the disposition of

property and dissolution of the Pool by a two-thirds vote of all Trustees.

3. Each member's interest in the property of the Pool shall be calculated as follows:

1-a. The sum of the contributions for all fund years for which the Member was a participant in the Pool divided by all contributions received by the Pool during its life, is the ratio used to calculate interest in Pool property other than equity, which is defined for these purposes as cash or cash equivalent assets of the Pool.

2-b. For equity calculation, the ratio of each Member's contributions to the total contributions shall be computed for each fund year. The Member's contribution ratio shall then be multiplied by the total surplus, less any borrowed surplus, attributable to a fund year as stated in the most recent monthly financial statement. A Member's total equity will be the sum of the yearly amounts for each fund year for which that Member was a participating Member in the Pool.

3-c. In the event that the surplus amount is a negative number, a Member's equity will be decreased using the same method of calculation as above.

4. In the event of a termination of membership, the terminated Member shall lose and have no claim to any Pool property or assets. The property interest and equity formerly attributed to that Member for each fund year shall be allocated to the remaining counties that were Members during that year.

5. The Board shall serve as trustees for the disposition of property or funds, payment of obligations, dissolution and winding up of the affairs of the Pool. Any vacancy on the Board after dissolution has begun shall be filled in accordance with the Bylaws.

Section 13. INDEMNIFICATION.

1. It is the intent of the Pool to provide the broadest possible immunity from personal liability to each trustee, officer, and employee of the Pool allowed by applicable laws of the State of Utah including, but not limited to, the Utah Governmental Immunity Act, the Utah Non-Profit Corporation and Co-operative Association Act and the Utah Insurance Code, as amended from time to time. The Pool shall defend and indemnify the trustees, officers and employees of the Pool against any and all expense, including attorney fees and liability expenses,

sustained by them or any of them in connection with any suit or suits which may be brought against them involving or pertaining to any of their acts or duties to the fullest extent allowed by the laws of the State of Utah.

2. The Pool shall purchase liability or other appropriate insurance providing coverage for the trustees, officers and employees of the Pool. Nothing herein shall be deemed to prevent compromises of any litigation where the compromise is deemed advisable in order to prevent greater expense or cost in the defense or prosecution of such litigation.

3. Neither this ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement nor any action of the governing body of a county in adopting this ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement is intended to nor do they waive, nor shall they be construed as waiving, any immunity or limitation on liability provided to the Members or their officers or employees by any law, including but not limited to any such immunity or limitation appearing in the Utah Governmental Immunity Act, and amendments thereto.

Section 14. FILING OF INTERLOCAL COOPERATION AGREEMENT.

Executed copies of this ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement shall be placed on file in the office of the County Clerk of each of the Members to this ~~Fifth~~ Sixth Amended Interlocal Agreement, and shall remain on file for public inspection during the term of this ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement.

Section 15. JOINT AND SEVERAL LIABILITY.

Except as provided herein, and to the extent of the financial contributions to the Pool agreed to herein or such additional obligations as may come about through amendments to this agreement or the Bylaws, no Member agrees or contracts herein to be held responsible for any claims made against any other Member. The contracting parties intend in the creation of the Pool to establish an organization to operate only within the scope herein set out and have not herein created as between Member and Member any relationship of partnership, surety, indemnification, or responsibility for the debts of or claims against any other Member.

Section 16. AMENDMENTS.

This ~~Fifth~~ Sixth Amended Interlocal Cooperation Agreement may not be amended, changed, modified or altered except by an instrument in writing which shall be (a) approved by resolution of the governing body of each of the parties, (b) executed by a duly authorized official of each of the parties, (c) submitted to and

reviewed by an authorized Attorney of each of the parties, as required by Utah Code Ann. §11-13-202.5(3), 1953 as amended, and (d) filed in the official records of each party.

Section 17. SEVERABILITY.

If any term or provision of ~~the~~ this Fifth Sixth Amended Interlocal Cooperation Agreement or the application thereof shall to any extent be invalid or unenforceable, the remainder of this ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement, or the application of such term or provision to circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and shall be enforced to the extent permitted by law. To the extent permitted by applicable law, the parties hereby waive any provision of law, which would render any of the terms of this ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement unenforceable.

Section 18. GOVERNING LAW.

All questions with respect to the construction of this ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement, and the rights and liability of the parties hereto, shall be governed by the laws of the State of Utah.

Section 19. EXECUTION BY COUNTERPART.

This ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement may be executed in counterparts. The original of each executed ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement shall be filed with the Pool.

IN WITNESS WHEREOF, the parties have signed and executed this ~~Fifth Sixth~~ Amended Interlocal Cooperation Agreement, after resolutions duly and lawfully passed, on the dates listed below:

Dated this _____ day of _____, 20____.

«COUNTY» «FORM»

By: _____
«COUNTY» «FORM» Chair

ATTEST:

By: _____
«COUNTY» Clerk

REVIEWED AND FOUND TO BE IN PROPER FORM AND COMPLIANCE WITH APPLICABLE LAW.

By: _____
«COUNTY» Attorney



DIVIDEND POLICY

PURPOSE

Manage Net Asset levels to assure adequate assets to protect UCIP while not exceeding statutory limitations on Net Assets.

GOAL

Manage Net Asset levels between 90% and 100% of annual revenue.

PROCEDURE

If Net Assets exceed 90% of annual revenue, the Board may issue dividends. If Net Assets exceed 100% of annual revenue, the Board should issue dividends. Dividends may be issued as Experience Dividends and/or Equity Dividends.

Experience Dividend – If Net Assets exceed 90% of annual revenue, the Board may issue an Experience Dividend. Members with loss ratios significantly below the average member loss ratio would be eligible for an Experience Dividend. Average member loss ratio would be calculated on the year in which the dividend is issued and on a multi-year basis, at the Board's discretion.

Equity Dividend – If after an Experience Dividend is provided, Net Assets remain in excess of 90%, the Board may issue an Equity Dividend to the membership. If after the Experience Dividend is provided, Net Assets remain in excess of 100%, the Board shall issue an Equity Dividend to the membership. For purposes of the Equity Dividend, equity will be calculated in accordance with the equity calculation in the Interlocal Agreement.

REQUIREMENTS

To receive an Experience Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Maintain a loss ratio significantly below the average member loss ratio; and
- Comply with specified Best Practices Program requirements as determined by the Board.

To receive an Equity Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Have an individual equity to annual contribution ratio of at least 90%.

LIMITATIONS ON DIVIDENDS

The total of Experience and Equity Dividends shall not deplete the Pool's total Net Assets below 90% of annual revenue.

